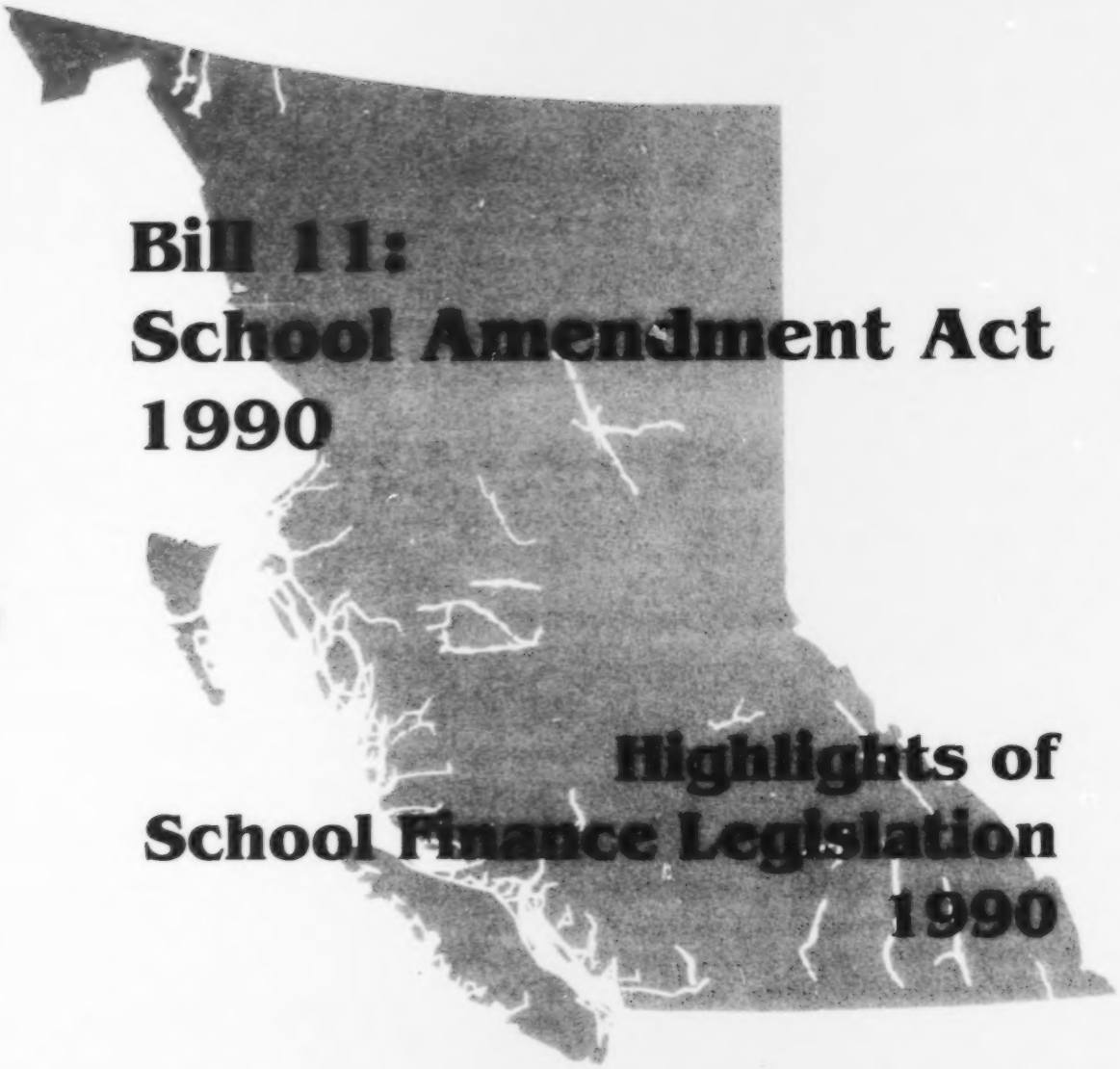

Bill 11: School Amendment Act 1990

Highlights of School Finance Legislation 1990

· MINISTRY OF EDUCATION ·

90-04830/

SCHOOL FINANCE 1990

KEY DATES FOR SCHOOL FINANCE/FUNDING ACTIVITIES

Bill 11 sets out the key dates of the school finance process. There are two sets of dates, one for 1990/91, the transitional year, and one for 1991/92 and beyond:

1990/91

- March 30—Boards submit preliminary budgets
- April 28—Deadline for boards to authorize holding of referendums
- April 28-May 5—Referendum particulars must be advertised at least once
- May 5—Boards hold referendums
- May 8—Boards pass budget and, if applicable, referendum bylaws
- May 16—School tax rates set by Order in Council
- May 18—Municipalities advised of school tax rates

1991/92 and beyond

- February 1—The Minister will announce the average per student amount anticipated to be used in determining the provincial block for the next fiscal year
- March 15—Boards submit some financial information, including estimates of revenue and debt expenditures
- Last Saturday in March—Deadline for boards to authorize holding of referendums
- Last Saturday in March to second Saturday in April—Referendum particulars must be advertised at least once each week
- Second Saturday in April—Boards hold referendums
- April 20—Boards pass budget and, if applicable, referendum bylaws
- May 4—School tax rates set by Order in Council
- May 10—Municipalities advised of school tax rates

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Province of British Columbia

NEWS RELEASE

MINISTRY OF EDUCATION
NR18-90

For Immediate Release
April 10, 1990

Brummet introduces Bill 11 establishing new school finance legislation

Victoria — Education Minister Tony Brummet today tabled Bill 11, providing the legislative framework for the new school finance system announced January 31, 1990.

"This bill ensures a fair, predictable, and accountable system for financing education," said Brummet. "The legislative framework established by Bill 11 ensures ongoing public support of our public education system and demonstrates the high level commitment of government in supporting school boards in the delivery of a full range of high quality education programs for students. The legislation is another important step in responding to the call for change contained in the report of the Royal Commission on Education."

"This bill simplifies the budget setting process for school boards by requiring only a single budget submission, as requested by the B.C. School Trustees' Association," said Brummet.

Bill 11, the *School Amendment Act 1990*, encompasses block funding, the levying, collection and distribution of school taxes, and sets out the requirements for a new referendum process.

The bill establishes block funding, describes how the provincial block is determined and provides a means for the Minister to allocate the block based on enrolments in the school districts and on the varying costs of delivering education programs.

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The Province will combine a variety of revenue sources to finance the provincial block, including local residential school taxes and other provincial revenue. School property taxes, except those resulting from local school board referendum, will be set by the Lieutenant Governor in Council, collected by municipalities, and forwarded directly to the Province for distribution to school districts.

Boards will now have an added incentive to be cost effective as they will be permitted to carry operating budget surpluses into future years, thereby supplementing their annual block funding allocation.

If a board wishes to spend more than its block allocation and other available revenues, it must hold a referendum and get local taxpayer approval.

For 1990, those boards choosing to exceed the block funding must advertise referendum particulars at least once within seven days of the voting date. A prescribed ballot must be used and a simple majority of those voting is required to pass a referendum.

If the referendum is passed, the funding will be for one year only, and must be fully paid from local residential taxes in the 1990 calendar year. These funds will not become part of the base budget for future years.

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BACKGROUND

A CALL FOR CHANGE

A Legacy for Learners, the report of the Royal Commission on Education, 1988, pointed out that the education system had served the people of B.C. well in the past, but that if learners were to be properly prepared for life in the 21st century there would have to be a renewed focus on the learner.

This focus on the learner would require consultation and cooperation among all education groups, and funding systems that would "lend greater stability and predictability to the system."

On August 4, 1988, the day of the release of the report, the Minister of Education appointed an Education Policy Advisory Committee (EPAC), comprised of representatives of education groups and the community, to assist the Ministry in developing appropriate policy directions.

Following the release of the report on August 4, 1988, the government, operating in close consultation with the Education Policy Advisory Committee developed both a statement of policy that embraced most of the Commission's 83 recommendations and a school system mandate which reflected a focus on the learner.

The policy directions paper and the mandate were released January 27, 1989. On the same day, the government announced that an additional $1.4 billion would be made available over the next 10 years for implementation of the Royal Commission recommendations, and a further $1.5 billion would be spent over the next six years to build new schools and upgrade buildings.

The government also announced that it would undertake a complete review of the funding system for education in the Province. The

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financing of local government was analyzed through a joint study by the Ministry of Municipal Affairs, Recreation and Culture, and the Union of British Columbia Municipalities, and through the Property Tax Forums conducted by The Hon. Mel Couvelier, Minister of Finance and Corporate Relations and The Hon. Rita Johnston, then Minister of Municipal Affairs, Recreation and Culture.

The Ministries of Education and Finance and Corporate Relations also conducted a thorough review of educational funding and school taxation and, through further consultation with the Education Policy Advisory Committee, developed several options for addressing school funding and taxation concerns.

With the passage of the new *School Act* and the formation of the Education Advisory Council, further consultation and review of funding and taxation occurred and opportunities were provided for the major education stakeholder groups (trustees, teachers, superintendents, secretary-treasurers) to put forward proposals for change. These groups endorsed the concepts of block funding, economic adjustments, the retention of the fiscal framework distribution system, and recognized the need for cost control.

It became clear from this broadly based consultation process that changes would be required to make a funding system that is fairer, more predictable, and more accountable.

On January 31, the government announced major changes to the system of education finance: stability is provided by a block funding system incorporating an annual economic adjustment and equity is assured through the use of the fiscal framework as the primary distribution system for grants.

Increased accountability is provided through a referendum process governing local funding for extra programs and services that boards choose to offer beyond increased funding provided by the Province.

Bill 11, the *School Amendment Act 1990*, forms the legislative base for these changes.

BACKGROUND

THE PREVIOUS SCHOOL FINANCE SYSTEM

The responsibility for funding and managing the public education system has been shared by the provincial government and locally-elected school boards.

The government has been responsible for establishing an amount of funding which it considered necessary to provide a sound complete education for all students throughout the Province. That funding amount was called the **shareable operating amount**.

In order to determine the amount of funding necessary to provide a sound complete education, the government used a model called the fiscal framework. The fiscal framework was designed to describe an appropriate educational program and to establish costs considered necessary by the Province to deliver the program. These costs varied in relation to the nature of the school district.

If school boards chose to set budgets higher than the shareable operating amount, the funding for that **supplementary amount** was raised locally, primarily through additional residential taxation spread over two tax years.

Generally, the amount recognized by the Province was financed through a blend of residential taxation and direct contributions through grants from the Consolidated Revenue Fund. In addition, government provided funds for debt service costs and direct grants to support certain initiatives such as computer technology.

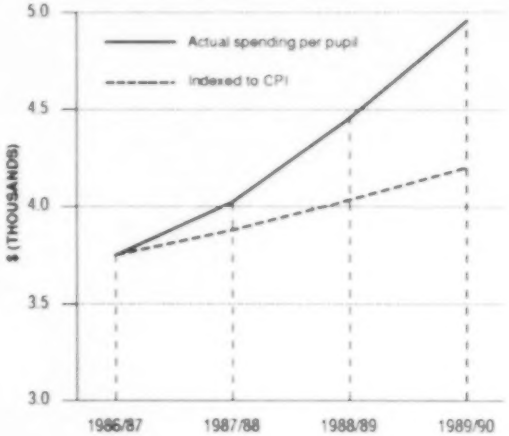
BACKGROUND

THE NEED FOR CHANGE

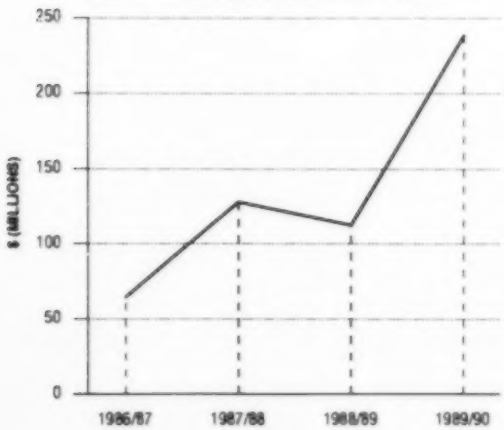
The extensive review of and consultation about school funding and school taxation was carried out in a climate in which taxpayers expressed increasing concern about rising school property taxation.

This taxation is directly related to increases in school board spending, which, over the last four years, has grown much faster than inflation. Since 1986/87, spending has increased by 31.5 per cent, and inflation by 11.5 per cent.

Spending has Grown Much Faster than Inflation



Increases in Supplementary Amounts (determined by School Boards)



During this period, the Province has provided substantial increases in grants—24.4 per cent over four years. However, since growth of spending approved by boards outstripped the rates of increases in grants, supplementary budgets increased dramatically, from $66 million in 1986/87 to $238 million in 1989/90.

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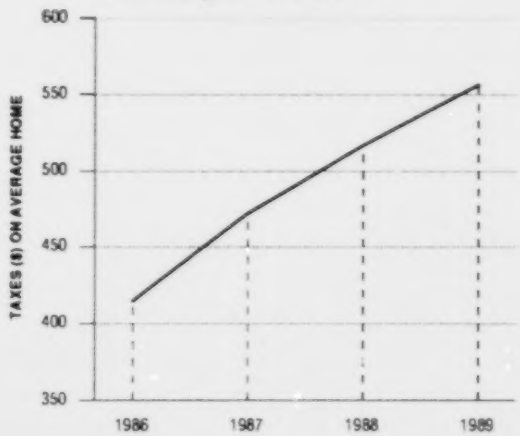
These supplementary increases were funded entirely by local taxes and this resulted in significant increases in residential taxation. Over the last four years, the amount of money paid in taxes by the median homeowner has increased 34.1 per cent.

Gross Average Taxes are Continuing to Increase



The previous system was one in which school boards unilaterally set the level of total expenditures for education in the province, with the Provincial Government having to pay the major share of costs. In effect, boards had almost unlimited spending authority.

To continue this arrangement would have resulted in increasing frustration on the part of the taxpayer and, ultimately, would have undermined taxpayer support for education.

To ensure continued public support for education, and to provide fair, predictable funding that guarantees all B.C. students a sound, complete education, the government has established a new school finance system.

SCHOOL FINANCE 1990

BLOCK FUNDING SYSTEM

In the block funding system, an overall block of funds is allocated to cover all education programs. The block is adjusted annually to reflect economic indicators, growth in enrolments, and changes in mandate.

How the block was established

In establishing the total provincial "block" for education, the government recognized **all** the money spent in school districts in 1989/90. This total, $2.42 billion, was accepted as the base for funding the 1990/91 school year. This amount included all spending for all education programs and services provided by school boards.

Added to this base were increases to account for inflation (including price increases and average public and private sector wage settlements) and increased enrolment. In all, $240 million was added to the base, bringing the total amount to $2.66 billion — a 9.9% increase over the total amount spent on all public education programs in B.C. in 1989/90.

This increased funding is based upon estimated enrolment for September. If enrolment is higher than expected, funding will automatically be increased.

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What the block funding covers

Among other things, block funding covers:

- salaries, benefits, and other compensation for teachers, administrators, support staff
- programs and services for special needs students
- transportation costs
- heating and maintenance of schools
- learning resources, including textbooks and classroom equipment
- locally developed programs/services
- Native Indian education
- correspondence and continuing education
- testing and assessment
- district administration and trustee expenses
- English as a Second Language Programs
- school health services
- teacher non-instructional days
- District Resource Centres
- counselling
- library services
- local capital allowance
- French programs

Government funding in addition to the Block

In addition to the **block** funds, the government will provide money for building new schools and additions, for changes resulting from the Royal Commission recommendations, and for specific programs such as the Pacific Rim Initiatives and computer technology, Provincial special Resource Programs for special education, scholarships, and Passports to Education.

By recognizing the actual money spent on programs as the base for the block, by significantly increasing the funding for the block, and by providing money outside the block, **the government has guaranteed the funding necessary to continue to provide all students in British Columbia with a sound, complete education.**

SCHOOL FINANCE 1990

DISTRIBUTION OF THE BLOCK

There are large differences in the costs and needs of each district in the province. A district in northern British Columbia will have significantly higher heating costs than one in the south. A remote district will pay much more for transportation than one in a metropolitan area. A district with many new immigrants will have a need to provide more extensive English as a Second Language programs. A district with smaller, dispersed schools, will have greater costs than one with larger schools close together. Because of these differences, it would be unfair to provide every district with the same per pupil allocation.

In the current year, the shareable operating cost per pupil in school districts ranged from $3,614 to $9,397. Similarly, the per pupil allowance in block funding for 1990/91varies from $4,544 to $13,037. This range accounts for individual characteristics of school districts such as size, remoteness, travel distances, size of schools, and teacher costs.

In order to take these characteristics into account, the Ministry uses a system of distribution that recognizes cost differences in a wide variety of programs. This system of distribution, the fiscal framework, has been supported by all major education groups, including the British Columbia Teachers' Federation, the British Columbia School Trustees Association, and the Parent Teacher Home & School Federation, as well as superintendents, secretary-treasurers and school administrators.

The fiscal framework will continue to be the primary mechanism for distribution of the block funds in order to provide equitable levels of educational opportunity in the Province.

SCHOOL FINANCE 1990

FINANCING THE BLOCK

In 1990 school property taxes, except those resulting from local school board referendum approval, will be set by the Minister of Finance, collected by municipalities, and forwarded directly to the Province for distribution to districts to assist in financing the block.

Under the previous system, tax rates were set by school boards, and the taxes were collected by municipalities and forwarded to school districts. Provincial grants were provided to boards separately by the province in order to pay for the rest of approved budgets.

The new tax procedures are consistent with the intent of the new block funding system. The government establishes the block and assumes responsibility for providing funds equal to the block amount.

The Province will combine a variety of revenue sources to finance education, including local residential school taxes and other provincial revenue.

The changes will also ensure full funding for actual student enrolments each fall when schools open. At present, school boards set tax rates in April according to estimated enrolments in September. If enrolments exceed estimates the district cannot collect more taxes to compensate. Under the new system, the government will simply adjust the district block amount to meet the actual September enrolment.

Government has prevously announced significant property tax relief to offset school taxes.

There will be an addition to the basic home owner grant for those homeowners whose school property tax exceed that grant.

The additional grant, to be equal to a percentage of school taxes which exceed the basic grant, will be increased further in 1991.

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The precise percentage over and above the basic home owner grant will be announced in the provincial budget.

SCHOOL FINANCE 1990

REFERENDUM

If school boards keep spending increases within or even close to the cost of inflation, there will be no need for referendum. All services, from staff salaries to transportation to enrolment increases, are covered by the provincial funding allocation. Additional funds are provided for school construction, Royal Commission implementation, computer technology, Pacific Rim Initiatives and new programs. **These funds are not dependent on referendum approval.**

Although the new funding system guarantees a sound, complete education to every student in British Columbia, some districts may want to exceed the funding allocated by the government in order to provide extras. Where this is the case, the district must hold a referendum to ask the taxpayers in the district if they wish to support the extras, since it is these taxpayers who will pay 100 per cent of the extra costs.

Generally, the referendum process will provide for the following:

- For 1990, boards must advertise the referendum particulars at least once within seven days of the voting date.
- The referendum ballot must clearly specify a description of the program requiring extra funding, the total cost of this program, and the tax effect on residential property.
- Eligible voters are those who are now eligible to vote in the election of trustees.
- Extra spending by the school board, if approved by referendum, will be a direct tax on local residential taxpayers only; and will not be eligible for Homeowner Grant assistance. The Homeowner grant will apply as before to taxes required to fund the block allocation in each district.
- A simple majority of those voting is required to pass a referendum.

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- If the referendum is passed, the funding will be for one year only, and must be fully paid from local residential taxes in the 1990 calendar year. These funds will not become part of the base budget for future years.

SCHOOL FINANCE 1990

IMPACT OF BILL 11 ON MUNICIPALITIES

Bill 11 involves several changes for municipalites. These include:

- A school board may enter into an agreement with a municipal council (or board of a regional district) to conduct the referendum on the School Board's behalf.

- Municipalities will be advised of school tax rates (excluding the school referedum tax rate) by the Province on May 18th this year (and by May 10th in future years).

- Where a referendum is passed, the municipality will be advised by the school board of the school referendum tax rate immediately on adoption of the board's budget (by May 4 this year and by April 25 in future years).

- Remittance of residential school taxes (exluding the school referendum tax) shall continue to be made monthly in 1990, changing from being made to the school board to being made to the Province after July 1. The adjustment to the monthly instalment normally made in May will be made in June this year. For future years, the system of remittance to the Province will be similar to the current non-residential school tax system.

- Remittance of school referendum taxes shall be made by municipalities to the school board on or before September 1.